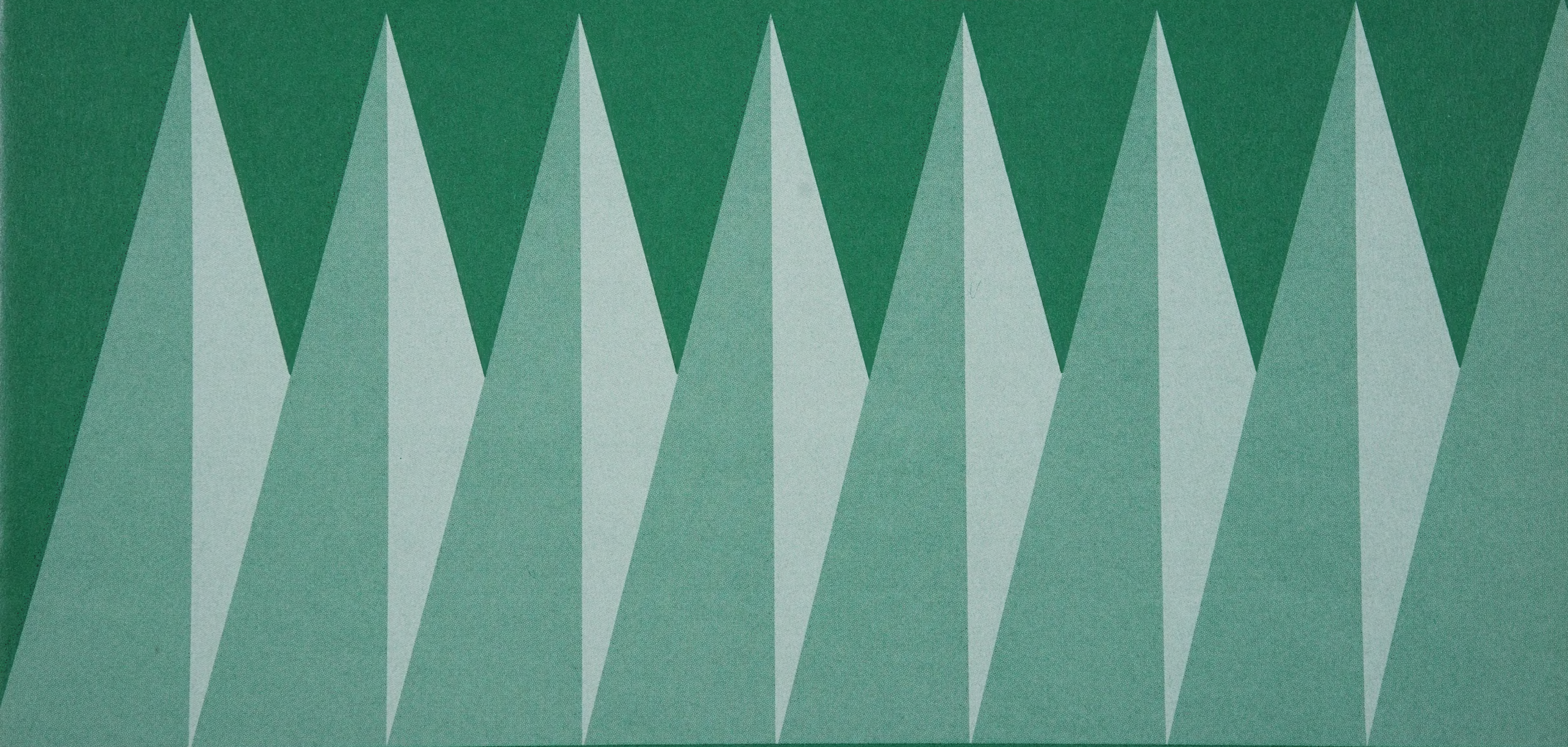


FRASER
ANNUAL REPORT: 1971



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DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

†E. R. ALEXANDER
RALPH B. BRENNAN*
KENNETH V. COX
H. ROY CRABTREE*
JOHN E. L. DUQUÊT
†A. A. FRANCK*
D. J. HENNIGAR
JOHN H. HEUER**
†JOHN J. JODREY
DONALD E. KERLIN
J. A. MULCAHY
A. L. PENHALE*
C. R. RECOR*
FRANK H. SOBEY*
EDWARD C. WOOD*

HONORARY DIRECTORS

AUBREY CRABTREE
L. M. SHERWOOD

*Member of Executive Committee
H. Roy Crabtree—Chairman

†Member of Finance Committee
E. R. Alexander—Chairman

**John H. Heuer—Deceased January 1, 1972

OFFICERS

H. ROY CRABTREE
Chairman of the Board
C. R. RECOR
President
RALPH B. BRENNAN
Senior Vice President
M. J. ROACH
Executive Vice President-Operations
D. E. YORK
Executive Vice President-Finance
P. M. BELYEA
Vice President-Woodlands
R. B. FORBES
Vice President-Purchasing and Traffic
B. W. HICKS
Vice President and Secretary
R. V. OSBORN
Vice President-Corporate Planning
J. K. BARRY
*Vice President-Marketing,
Fraser Paper, Limited*
H. M. LOGAN
Treasurer
M. B. ROBINSON
Controller
H. P. HIERLIHY
Assistant Treasurer
K. L. SEELY
Assistant Controller

DIRECTORS' REPORT TO THE SHAREHOLDERS

We submit herewith, the Annual Report of your Company for 1971 together with the Consolidated Statements for the year with comparable figures for 1970, and the report of your auditors.

Net loss from operations after income tax benefits was \$4,856,000 or \$2.08 per share on 2,334,302 shares, as compared to a net profit from operations of \$2,614,000 or \$1.12 per share on 2,331,802 shares for the previous year.

The year 1971 was difficult and trying for the pulp and paper industry as a whole and your Company in particular. The world-wide conditions, which affected the industry, were compounded by a nine-week strike at the Madawaska, Maine paper mills, our major production facility. This disruptive strike, which began on July 9 and continued until September 12, was primarily a dispute over management's rights and had a serious effect on both sales and earnings. This strike cost your Company a minimum of \$4,000,000 in profit, and the effects of the loss of business continue.

The Atholville mill operated 223 days in 1971. This poor operating rate, brought about by the chaotic conditions in the wood pulp industry with its attendant expensive start-ups and shutdowns, had a major effect on sales and adversely affected profits by \$2,100,000.

Income from foreign exchange decreased by \$1,100,000 from 1970.

Net sales of \$62,639,000 as compared to \$73,730,000 in 1970 reflected these conditions, as did total pulp, paper and paperboard shipments which decreased by 64,000 tons. Paperboard and lumber sales were the only bright spots, with shipments of lumber increasing 34% over 1970 to 52,500 M f.b.m.

A dividend of 15¢ per share was paid on March 15, 1971, and the funded debt was reduced during the year by \$810,000.

The net additions and improvements to plants and properties amounted to \$13,518,000 as compared to \$39,304,000 in 1970; the major item being the completion and start-up of the new No. 8 Paper Machine at Madawaska. This wide modern machine with its complementary stock preparation equipment is specifically designed to manufacture lightweight groundwood content paper grades, with particular emphasis on features which will efficiently produce a quality product, to run economically on the new wide high speed presses.

Capital expenditures this year are projected to be less than \$5,000,000.

We are continuing our efforts in pollution abatement and control. Capital expenditures in 1971 in this field amounted to approximately \$3,000,000 with a further \$1,100,000 to be spent in 1972. This represents more than 22% of our capital expenditures program over the two-year period.

Negotiations are continuing with the Quebec Government in connection with their acquisition in 1969 of our timber limits, freehold lands and improvements in that Province. (See note 6 to the Consolidated Financial Statements.)

Conditions in the industry remain difficult and our major efforts in 1972 must be in the direction of cost reduction and quality improvement. While the general economy has not yet turned, we are looking forward to an improved level of business in 1972 which will materially benefit your Company.

On January 1, 1972, your Company suffered a loss in the death of Mr. J. H. Heuer, President and Chief Executive Officer since April 1968. All who were associated with him extend their deepest sympathy to his bereaved widow and family.

Mr. C. R. Recor, formerly Executive Vice President—Sales, was elected President and appointed to the Board to succeed Mr. Heuer.

Messrs. John A. Mulcahy and Donald E. Kerlin have decided not to stand for re-election as Directors at the Annual Meeting. The Directors thank them for the valuable contribution they have made to the Company over the years. Their support and advice will be greatly missed.

It is proposed that the number of Directors be reduced from 14 to 12.

The Directors record their appreciation to those employees whose competence and enthusiasm contributed to the progress of the Company during a frustrating year.

Submitted on behalf of the Board of Directors.

H. Roy Crabtree
Chairman

C. R. Recor
President

February 22, 1972.

FRASER COMPANIES, LIMITED AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended January 1, 1972	Year Ended January 2, 1971
Net sales	\$62,639,000	\$73,730,000
Cost of sales	62,387,000	63,704,000
Depreciation and depletion	5,211,000	3,755,000
Selling, general and administrative expense	5,244,000	5,673,000
	<u>72,842,000</u>	<u>73,132,000</u>
	(10,203,000)	598,000
Other income (expense):		
Interest income	654,000	3,434,000
Pre-production and start-up expense	(545,000)	(155,000)
Interest on long-term debt	(622,000)	(661,000)
Miscellaneous—net	212,000	209,000
	<u>(301,000)</u>	<u>2,827,000</u>
(Loss) income before taxes	(10,504,000)	3,425,000
Taxes on income— <i>Note 2</i>	(5,648,000)	811,000
(Loss) net income from operations	<u>(4,856,000)</u>	<u>2,614,000</u>
Extraordinary items	—	6,807,000
Net results for the year	<u>\$ (4,856,000)</u>	<u>\$ 9,421,000</u>
Per common share:		
(Loss) net income from operations	\$(2.08)	\$1.12
Extraordinary items	—	2.92
Total	<u>\$(2.08)</u>	<u>\$4.04</u>

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Balance at beginning of year	\$67,854,000	\$60,525,000
Net results for the year	<u>(4,856,000)</u>	<u>9,421,000</u>
	62,998,000	69,946,000
Dividends	350,000	2,092,000
Balance at end of year	<u>\$62,648,000</u>	<u>\$67,854,000</u>

CONSOLIDATED BALANCE SHEETS

		January 1, 1972	January 2, 1971
ASSETS			
CURRENT:			
Cash		\$ 41,000	\$ 4,953,000
Short term investments (cost and market value)		—	10,000,000
Accounts receivable		7,463,000	6,771,000
Income taxes recoverable		846,000	—
Inventories— <i>Note 4</i>		12,549,000	11,741,000
Prepaid insurance		185,000	186,000
		<u>21,084,000</u>	<u>33,651,000</u>
DUE UNDER THE STOCK PURCHASE PLAN— <i>Note 5</i>		900,000	1,038,000
FIXED:			
Plants and properties, freehold and leasehold timber limits—at cost		170,496,000	158,804,000
Less:			
Accumulated depreciation	\$84,474,000		
Accumulated depletion	<u>10,402,000</u>	<u>94,876,000</u>	<u>91,491,000</u>
		75,620,000	67,313,000
		<u>\$ 97,604,000</u>	<u>\$102,002,000</u>

LIABILITIES

CURRENT:

Bank indebtedness

Accounts payable and accruals

Bonds due within one year

Taxes on income

FIRST MORTGAGE AND COLLATERAL TRUST BONDS:

5 $\frac{1}{8}$ % Series due 1973/1987 (U.S. \$11,250,000)

DEFERRED TAXES ON INCOME—*Note 2*

SHAREHOLDERS' EQUITY

Common shares without nominal or par value:

Authorized—3,000,000 shares

Issued—2,334,302 shares—*Note 5*

Retained earnings

On behalf of the Board:

H. Roy Crabtree, Director

C. R. Recor, Director

January 1,
1972

January 2,
1971

\$ 7,882,000

\$ —

5,974,000

6,620,000

750,000

757,000

—

935,000

14,606,000

8,312,000

12,149,000

12,959,000

2,427,000

7,131,000

5,774,000

5,746,000

62,648,000

67,854,000

68,422,000

73,600,000

\$ 97,604,000

\$102,002,000

CONSOLIDATED STATEMENTS OF SOURCE AND APPLICATION OF FUNDS

	Year Ended January 1, 1972	Year Ended January 2, 1971
SOURCE		
Operations		
(Loss) net income from operations	\$ (4,856,000)	\$ 2,614,000
Depreciation and depletion	5,211,000	3,755,000
Deferred taxes on income	(4,704,000)	269,000
Cash flow from operations	(4,349,000)	6,638,000
Received from the stock purchase plan	166,000	301,000
Sale of Newcastle Mill and Woods Division	—	36,453,000
Sale of investment in Boiestown Lumber Limited	—	649,000
Fire loss recoveries	—	154,000
	<u>\$ (4,183,000)</u>	<u>\$44,195,000</u>
APPLICATION		
Net additions and improvements to plants and properties	\$13,518,000	\$39,304,000
Bonds redeemed	810,000	810,000
Dividends	350,000	2,092,000
	<u>14,678,000</u>	<u>42,206,000</u>
Working capital increased (decreased)	(18,861,000)	1,989,000
	<u>\$ (4,183,000)</u>	<u>\$44,195,000</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS January 1, 1972

1. BASIS OF CONSOLIDATION

In consolidating the financial statements of Fraser Paper, Limited, which operated in the United States, U.S. dollars are expressed as an equal number of Canadian dollars.

2. TAXES ON INCOME

The credit to operations for taxes on income is comprised of:

Recovery of prior year tax provisions	\$ 944,000
Income tax benefits which are expected to be realized in future years	<u>4,704,000</u>
	<u>\$5,648,000</u>

The income tax benefits which are expected to be realized in future years are contingent upon the companies having taxable income in both Canada and the United States against which the respective losses for the year may be applied. In the view of management it is virtually certain that these benefits will be realized.

3. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

	Year Ended			
	January 1, 1972		January 2, 1971	
	Number	Amount	Number	Amount
As Directors	15	\$ 30,600	14	\$ 30,800
As Officers	17	521,409	14	497,000
Number of Directors who are also Officers	3		3	

During 1971 one Director and two Officers retired.

4. INVENTORIES

Inventories are valued at cost or net realizable value, whichever is lower and consist of:

	January 1, 1972	January 2, 1971
Pulpwood and logs, including advances	\$ 4,881,000	\$ 5,282,000
Raw materials and supplies	4,563,000	3,632,000
Goods in process and finished products	<u>3,105,000</u>	<u>2,827,000</u>
	<u>\$12,549,000</u>	<u>\$11,741,000</u>

5. STOCK PURCHASE PLAN

Pursuant to the provisions of the stock purchase plan whereby shares may be issued to employees at the discretion of the Board of Directors 2,500 common shares of the company were issued during the year for a total consideration of \$28,700 (1970—10,850 shares for \$238,000). Payment for the shares issued under the plan is made by the said employees in annual instalments of not less than 10% of the aggregate purchase price. At January 1, 1972 the Trustee held 63,015 common shares as collateral for the unpaid balances remaining at that date.

6. EXPROPRIATION

During 1969 the Province of Quebec expropriated the company's properties situated in that Province. It is the opinion of management that the offer of \$5,530,000 as contained in Orders-in-Council numbers 793 and 794 of the Province of Quebec is not sufficient compensation for the value of these properties. At the end of the year negotiations to determine the final amount are still continuing; as a result the effect of this expropriation has not been reflected in the books of account other than to record partial payments on account of principal and interest of \$2,587,000 received to date. As these timber limits, freehold lands and improvements have been held by the company since its inception, a substantial net gain will be realized when the transaction is finalized.

AUDITORS' REPORT

**The Shareholders,
Fraser Companies, Limited.**

We have examined the consolidated balance sheet of Fraser Companies, Limited and subsidiaries as at January 1, 1972 and the consolidated statements of income, retained earnings and source and application of funds for the fiscal year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the company and subsidiaries as at January 1, 1972 and the results of their operations and the source and application of funds for the fiscal year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal year.

Touche Ross & Co.
Chartered Accountants.

Montreal, Que.
January 31, 1972.

TEN YEAR COMPARISON

FOR THE YEAR	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962
QUANTITIES SOLD										
Paper	195,049	221,278	241,734	212,306	203,243	215,313	202,956	185,928	180,098	177,031
Paperboard	28,154	27,505	27,998	24,053	24,407	24,369	22,298	21,158	20,437	19,451
Pulp	50,255	88,387	211,058	180,463	128,731	120,831	102,276	143,523	121,598	88,407
Lumber—M f.b.m.	52,507	39,016	33,033	20,616	27,435	26,781	30,337	31,343	32,733	29,519
						(THOUSANDS OF DOLLARS)				
Net sales	\$ 62,639	\$ 73,730	\$ 91,327	\$ 76,568	\$ 70,681	\$ 72,412	\$ 66,586	\$ 64,844	\$ 61,862	\$ 59,304
Depreciation and depletion	5,211	3,755	5,798	5,854	5,462	6,555	4,992	4,893	4,887	4,757
Taxes on income	(5,648)	811	1,993	322	—	1,642	3,499	4,003	3,571	3,925
Net income (loss) from operations	(4,856)	2,614	4,403	1,161	127	3,680	5,811	5,238	4,202	4,252
Extraordinary items (net)	—	6,807	1,933	—	579	—	—	—	3,000	—
Net results for the year	(4,856)	9,421	6,336	1,161	706	3,680	5,811	5,238	7,202	4,252
Net additions to plants and properties	13,518	39,304	10,570	2,573	4,128	19,905	22,017	8,276	5,562	3,802
Bond debt at end of year	12,899	13,716	14,579	15,389	16,199	16,199	16,549	700	1,050	1,400
PER COMMON SHARE										
Net income (loss) from operations	(2.08)	1.12	1.90	0.50	0.06	1.65	2.61	2.35	1.89	1.91
Extraordinary items (net)	—	2.92	0.83	—	0.26	—	—	—	1.34	—
Net results for the year	(2.08)	4.04	2.73	0.50	0.32	1.65	2.61	2.35	3.23	1.91
Taxes on income	(2.42)	0.35	0.86	0.14	—	0.74	1.57	1.80	1.60	1.76
Dividends	0.15	0.90	0.65	0.10	0.60	1.40	1.40	1.40	1.40	1.40
Common shareholders' equity	29.31	31.56	28.45	26.41	26.44	26.73	26.47	25.26	24.31	22.47
Common shares outstanding at end of year	2,334,302	2,331,802	2,320,952	2,300,202	2,226,102	2,226,102	2,226,102	2,226,102	2,226,102	2,226,102

Note: Data applicable to Newcastle Mill, sold on January 22, 1970, is included in 1969 and prior years.

STOCK TRANSFER AGENT AND REGISTRAR

Montreal Trust Company

Montreal, P. Q.

Toronto, Ontario

Vancouver, B. C.

Saint John, N. B.

STOCK LISTED

Montreal Stock Exchange

Toronto Stock Exchange

THE ANNUAL MEETING

of the shareholders of Fraser
Companies, Limited will be held at
the general office of the Company at
Edmundston, N. B., on Friday, the
21st day of April, 1972, at the hour
of ten o'clock in the forenoon,
Atlantic Standard Time.



These are the products Fraser produces from renewable natural resources managed with the ultimate for environmental considerations

LUMBER

Plants:

Plaster Rock, New Brunswick
Kedgwick, New Brunswick

Product:

Kiln dried eastern Canadian Spruce lumber
for residential and commercial building construction

Sales Office:

Edmundston, New Brunswick
Tel: 506-735-5551

PULP

Plants:

Atholville, New Brunswick
Edmundston, New Brunswick

Products:

Bleached and unbleached northeastern softwood
sulphite pulps for tissue, glassine, converting
and fine papers and groundwood pulp

Sales Office:

Royal Bank of Canada Building
1 Place Ville Marie
Montreal 113, Quebec
Tel: 514-866-7338

PAPERBOARD

Plant:

Edmundston, New Brunswick

Products:

Coated and uncoated, solid bleached, and lined,
folding boxboard and paperboard specialties

Sales Offices:

Royal Bank of Canada Building
1 Place Ville Marie
Montreal 113, Quebec
Tel: 514-866-7338

159 Bay Street
Toronto 1, Ontario
Tel: 416-368-6127

PAPER

Plants:

Madawaska, Maine

Products:

Fine papers (rolls and sheets) — Communication
papers, bond, mimeo, duplicator, offset — regular and
opaque, uncoated book — regular and opaque; business
forms, giftwrap, base papers for coating, waxing and
laminating and specialty coated and uncoated printing
and converting papers

Groundwood paper grades (rolls)—Lightweight-coated
and uncoated for catalogs and directories. Publication—
coated and uncoated for offset, letterpress and
gravure printing. Groundwood specialties for printing
and converting

Sales Offices:

2 Greenwich Plaza
Greenwich, Conn. 06830
Tel: 203-661-3040

111 W. Washington Street
Chicago, Ill. 60602
Tel: 312-236-5012

Fraser Companies, Limited
Edmundston, N.B.

MAR 31 1971

**NOTICE OF ANNUAL GENERAL MEETING
OF SHAREHOLDERS**

Notice is hereby given that the Annual General Meeting of shareholders of Fraser Companies, Limited will be held at the general office of the Company in Edmundston, New Brunswick, Canada, on Thursday, the 22nd day of April, 1971, at the hour of ten o'clock in the forenoon, Atlantic Standard Time, for the following purposes, that is to say:

To receive, consider and, if deemed fit, approve the annual report of the directors, the financial statements of the Company and the auditors' report for the fiscal year ended January 2nd, 1971;

To elect directors for the ensuing year;

To appoint auditors and to fix or to authorize the Board of Directors to fix their remuneration; and

To transact such other business as may properly come before the said Meeting.

If you are unable to attend in person, will you please date, complete, sign and return the enclosed instrument of proxy in the envelope provided for that purpose.

By Order of the Board of Directors,

B. W. HICKS,
Vice-President and Secretary.

March 18, 1971.

INFORMATION CIRCULAR

(dated as of March 18, 1971)

This Information Circular is furnished in connection with the solicitation of proxies for use at the Annual General Meeting of shareholders of Fraser Companies, Limited (hereinafter called "the Company") to be held at the general office of the Company, Edmundston, New Brunswick, Canada, on Thursday, April 22, 1971, and at any adjournment thereof. In the event that you are unable to attend the meeting personally, you are requested to date, complete and sign the accompanying instrument of proxy and to return the same to the Company in time for use at the meeting. An addressed envelope with postage prepaid accompanies this Information Circular and may be used for such purpose.

Right of Revocation

A shareholder giving the instrument of proxy may withdraw the same by notice in writing to the Company at any time for all subsequent purposes for which the instrument of proxy shall have been given.

Solicitation of Proxies

The enclosed instrument of proxy is solicited by the management of the Company. The management does not contemplate a solicitation of proxies otherwise than by use of the mails. The cost of solicitation will be borne by the Company.

Voting Shares and Principal Holders Thereof

There are outstanding 2,331,802 Common Shares without nominal or par value (hereinafter called "Common Shares") of the capital stock of the Company. Each Common Share entitles the holder thereof to one (1) vote per share.

The holders of Common Shares will be entitled to vote at the meeting and at any adjournment thereof if present or represented by proxy thereat.

The Harold Crabtree Foundation and Genstar Investment Limited (and its affiliates) are each holders of equity shares of the Company carrying more than 10% of the voting rights attached to all equity shares of the Company. The Harold Crabtree Foundation holds 290,000 Common Shares and Genstar Investment Limited (and its affiliates) holds 302,305 Common Shares, representing 12.43% and 12.96% respectively of the outstanding Common Shares.

Election of Directors

The By-laws of the Company provide that the Board of Directors of the Company shall consist of fourteen (14) directors to be elected annually. The term of office of each director so elected expires upon the election of his successor unless he shall resign or his office becomes vacant by death, removal or other cause.

The following persons are proposed to be nominated for election as directors of the Company:

<u>Nominees for Directors and Principal Occupation</u>	<u>Period of Service as Director</u>	<u>Approximate Number of Equity Shares of the Company Beneficially Owned, Directly and Indirectly</u>
E. R. Alexander, Vice-Chairman of the Board of Gaz Métropolitain Inc. (Natural Gas Company).	1960 to date	1,000 Common Shares
Ralph B. Brenan, Senior Vice-President of the Company, Member of the Executive Committee of the Board of the Company; Chairman of the Board of G. E. Barbour Co. Ltd. (Manufacturer and Distributor of Food Products).	1954 to date	10,800 Common Shares
Kenneth V. Cox, President of The New Brunswick Telephone Company, Limited (Public Utility).	1969 to date	200 Common Shares
H. Roy Crabtree, ⁽¹⁾ Chairman of the Board of the Company, Chairman of the Executive Committee of the Board of the Company, Trustee of the Stock Purchase Plan of the Company; Chairman and President of Wabasso Limited (Manufacturer of Textiles).	1956 to date	111,625 Common Shares
John E. L. Duquet, Q.C., Senior Partner of Duquet, MacKay, Weldon, Bronstetter, Willis & Johnston (Advocates, Barristers and Solicitors).	1963 to date	100 Common Shares
A. A. Franck, Member of the Executive Committee of the Board of the Company; President of Genstar Limited (Multi-Product Company, Manufacturers of Cement, Chemicals, Fertilizers; Construction, Building Materials, Towing and Barging, Import and Export of Industrial Products in Canada and in the United States, Investment in Paper Industry and Real Estate).	1966 to date	1 Common Share
David J. Hennigar, Atlantic Regional Manager of Burns Bros. and Denton Limited (Investment Dealers).	1969 to date	125 Common Shares
J. H. Heuer, President and Chief Executive Officer of the Company, Member of the Executive Committee of the Board of the Company.	1968 to date	43,006 Common Shares
John J. Jodrey, ⁽²⁾ President of Minas Basin Pulp and Power Company Limited (Manufacturer of Pulp and Power).	—	1,000 Common Shares
D. E. Kerlin, President of Kerlin Associates Ltd. (Consultants).	1963 to date	25 Common Shares
John A. Mulcahy, President of Quigley Company Inc. (Manufacturer of Refractories; Holder of Patented Processes for the Maintenance of Basic Oxygen Furnaces, Open-Hearth Furnaces and Electric Furnaces).	1969 to date	500 Common Shares
A. L. Penhale, Member of the Executive Committee of the Board of the Company, Trustee of the Stock Purchase Plan of the Company; Vice-Chairman of Asbestos Corporation Limited (Asbestos Fibres).	1960 to date	100 Common Shares
Frank H. Sobey, Member of the Executive Committee of the Board of the Company; Chairman of Sobey Stores Limited (Retailer of Food Products).	1963 to date	147,934 Common Shares
Edward C. Wood, Member of the Executive Committee of the Board of the Company, Trustee of the Stock Purchase Plan of the Company; Chairman of the Board of Genstar Limited (Multi-Product Company, Manufacturers of Cement, Chemicals, Fertilizers; Construction, Building Materials, Towing and Barging, Import and Export of Industrial Products in Canada and the United States, Investment in Paper Industry and Real Estate); President of Edwood Ltd. (General Consultants).	1967 to date	2,100 Common Shares

(1) Mr. Crabtree owns directly 30,400 Common Shares. Treeford Limited (which is controlled by Mr. Crabtree) owns 81,225 Common Shares. In addition, Mr. Crabtree's "associates", as that term is defined in The Securities Act, 1966, of Ontario, own 311,104 Common Shares, of which Wabasso Limited and The Harold Crabtree Foundation own 21,104 Common Shares and 290,000 Common Shares respectively.

(2) Mr. Jodrey has been President or Senior Officer, for a period in excess of the five preceding years, of Minas Basin Pulp and Power Company Limited.

Remuneration of Directors and Senior Officers

The following information is given for the last completed financial year of the Company ended January 2, 1971, with respect to the directors and senior officers of the Company as a group.

Aggregate direct remuneration paid by the Company and its Subsidiaries	\$416,446.
Approximate aggregate cost to the Company and its Subsidiaries of normal pension benefits	\$ 14,791.
Aggregate amount of remuneration payments, other than direct remuneration, proposed to be made in the future by the Company and its Subsidiaries pursuant to an existing arrangement	\$ 45,000.

No director, senior officer, proposed nominee for election as a director or associate of any of the foregoing is or has been indebted to the Company or its Subsidiaries at any time since the beginning of the last completed financial year of the Company. Under the Stock Purchase Plan of Fraser Companies, Limited dated as of July 2nd, 1968, the Company provided moneys to trustees with which to purchase Common Shares of the Company which are held for the benefit of certain employees of the Company upon the exercise of their rights. The aggregate amount owing by such employees to the trustees as at the date of this Information Circular, was \$1,191,432.31 of which approximately \$995,306.21 was owing by employees who were directors and/or senior officers of the Company.

The following information as to the grant of rights to purchase Common Shares of the Company and the exercise thereof is given for the period since the commencement of the last completed financial year of the Company ended January 2, 1971, with respect to the directors and senior officers of the Company as a group.

Period of Grant and Exercise in 1970 (1)	Number of Common Shares	Purchase Price per Share (2)	Price Range (3)	
			High	Low
First Quarter	1,200	\$24.64	31¼	25¾
Second Quarter	2,150	\$27.90	32	20
Third Quarter	6,000	\$20.25	25½	22
Fourth Quarter	1,500	\$18.23	24⅞	18⅞

(1) The rights to purchase were granted and exercised in the same calendar quarter pursuant to the Company's Stock Purchase Plan dated as of July 2nd, 1968.

(2) The purchase price was established in accordance with the provisions of the Stock Purchase Plan.

(3) Price range of Common Shares on Montreal Stock Exchange for each calendar quarter.

Appointment of Auditors

Messrs. Touche Ross & Co. are the auditors of the Company and have held such position for a period in excess of the preceding five years. It is proposed by the management of the Company that such firm be reappointed the auditors of the Company.

Designation of Proxy

The persons named in the enclosed instrument of proxy have indicated to the Company their willingness to represent as proxy shareholders desiring to so appoint them. **If, however, a shareholder desires to appoint as proxy a person other than those designated, he should insert the name of his representative in the space provided therefor.** A person acting as proxy need not be a shareholder of the Company.

Voting of Shares Represented by Management Proxy

The accompanying instrument of proxy confers discretionary voting authority upon the management nominees designated therein. The management of the Company knows of no business other than that to which reference is made in the Notice of the Annual General Meeting to come before the meeting. If, however, any other business properly comes before the meeting, it is the intention of the management nominees designated therein to vote the shares represented by such proxy in accordance with their best judgment.

By Order of the Board of Directors,
B. W. HICKS,
Vice-President and Secretary.

JUL 19 1971

FRASER COMPANIES, LIMITED

General and Executive Offices
Edmundston, New Brunswick

Edmundston, N. B. — sulphite and groundwood
pulp mills, sulphite and kraft bleaching
plants, and paperboard mill
Atholville, N. B. — bleached sulphite pulp mill
Plaster Rock, N. B. — lumber mill and dressing
mill and dry kiln

FRASER PAPER, LIMITED

(Subsidiary Company)

Madawaska, Maine — paper mills manu-
facturing high grade papers from chem-
ical and groundwood pulps

W. H. MILLER COMPANY, LIMITED

(Subsidiary Company)

Kedgwick, N. B. — lumber mill and dressing
mill and dry kiln



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**REPORT
TO THE
SHAREHOLDERS
OF
FRASER COMPANIES,
LIMITED
FOR
TWENTY-FOUR WEEKS
ENDED
JUNE 19, 1971**

AR25

TO THE SHAREHOLDERS:

The unfavorable trend in earnings which started during the latter part of 1970 has continued into 1971, resulting in a net loss of \$1,379,000 or 59¢ per share for the twenty-four weeks ended June 19, 1971 compared with net income of \$1,978,000 or 85¢ per share for the twenty-four weeks ended June 20, 1970. With reduced earnings a dividend for the second quarter was omitted.

Net sales for the twenty-four weeks in 1971 were \$34,705,000 as compared with \$35,269,000 for the first twenty-four weeks in 1970.

Paper and lumber production continue at reasonable levels but pressure on prices keep us from offsetting any cost increases. The pulp business continues to be soft and it was necessary to shut down our Atholville mill for 43 days during the first twenty-four weeks of this year. Higher labor rates, increased costs of raw materials, operating supplies, fuel and transportation materially added to our cost, while the income from exchange and short term investments was substantially less than the same period last year.

The new paper machine which started up in early April is rapidly reaching maximum efficiency and the operating results achieved have been very satisfactory.

Construction has been started on a large new primary and secondary effluent treatment complex at the Edmundston mill. It is planned to have the clarifier, pump houses, pipeline and aerated ponds in operation this year.

Negotiations are continuing in connection with the properties acquired by the Province of Quebec in 1969 and referred to in the 1970 Annual Report. Partial payments on principal and interest received to date amount to \$2,587,000.

Labor negotiations at the Canadian pulp mills have been completed and a new three-year Labor Agreement, expiring December 31, 1973, is now in effect. During the past month we have been negotiating new Labor Agreements with the Unions at the Madawaska mills, and one of the major issues has been the Company's position permitting it to redistribute maintenance personnel so that their skills can be used more effectively. The Unions did not accept our final offer and in accordance with a notice received on July 7, a work stoppage became effective at noon on July 9, 1971. Operations of the Edmundston pulp mill are also affected by this situation as the pulp produced at this plant is used in the Madawaska mills.

JOHN H. HEUER
President and
Chief Executive Officer

JUL 19 1971

Edmundston, N. B.
July 16, 1971.

FRASER COMPANIES, LIMITED AND SUBSIDIARIES

Twenty-four Weeks Ended
June 19, 1971 June 20, 1970

CONSOLIDATED STATEMENTS OF INCOME

Net sales	\$34,705,000	\$35,269,000
Cost of sales	32,888,000	28,754,000
Depreciation and depletion	2,227,000	1,744,000
Selling, general and administrative expense	2,685,000	2,500,000
	<u>37,800,000</u>	<u>32,998,000</u>
	(3,095,000)	2,271,000
Other income (expense):		
Stumpage revenue	12,000	55,000
Interest income	444,000	1,641,000
Pre-production and start-up expense provision	—	(500,000)
Interest on long-term debt	(292,000)	(310,000)
Miscellaneous - net	174,000	140,000
	<u>338,000</u>	<u>1,026,000</u>
Income (loss) before taxes	(2,757,000)	3,297,000
Provision for taxes on income	(1,378,000)	1,319,000
Net income (loss) for the period	<u>\$ (1,379,000)</u>	<u>\$ 1,978,000 *</u>
Net income (loss) per share	<u>(59)¢</u>	<u>85¢</u>

* Does not include a net gain of \$6,653,000 realized from the sale of the Newcastle Division.

CONSOLIDATED STATEMENTS OF SOURCE AND APPLICATION OF FUNDS

SOURCE

Net income (loss) for the period	\$ (1,379,000)	\$ 1,978,000
Depreciation and depletion	2,227,000	1,744,000
Deferred taxes on income	(1,378,000)	1,319,000
Cash flow from operations	<u>(530,000)</u>	<u>5,041,000</u>
Received from the stock purchase plan	—	55,000
Sale of Newcastle Division fixed assets and investment in Boiestown Lumber Limited	<u>—</u>	<u>37,333,000</u>
	<u>\$ (530,000)</u>	<u>\$42,429,000</u>

APPLICATION

Net additions and improvements to plants and properties	\$ 9,540,000	\$15,373,000
Bonds redeemable	810,000	810,000
Dividends	350,000	1,162,000
Deferred charges	1,837,000	531,000
	<u>12,537,000</u>	<u>17,876,000</u>
Working capital increased (decreased)	(13,067,000)	24,553,000
	<u>\$ (530,000)</u>	<u>\$42,429,000</u>

The above figures are subject to audit and year-end adjustments.

